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# GIORDANO

## GIORDANO INTERNATIONAL LIMITED

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 709)**

### ANNOUNCEMENT OF RESULTS FOR THE YEAR ENDED DECEMBER 31, 2020

#### Overview

- *The Group is an international apparel retailer with a portfolio of owned, franchised and licensed brands. We offer high-quality, value-for-money and easy-to-wear apparel and accessories through a network of approximately 2,185 stores, or 2,105,000 sq. ft. of retail floor space.*
- *Group sales and gross margin improved in the second half of the year, in which the sales drop narrowed to -26.0% (2020 1H: -44.4%) with a gross margin of 56.4% (2020 1H: 54.6%). For the year, group sales declined by 35.7% to HK\$3,122 million (2019: HK\$4,852 million) at a gross margin of 55.6% (2019: 58.7%).*
- *Online sales increased by 22.1% to contribute 10.5% (2019: 5.5%) to total sales. Outside of Mainland China, online sales registered a 123.5% increase and constituted 23.3% of consolidated online sales (2019: 12.7%).*
- *The 2H's net profit helped reduce the full-year net loss to HK\$112 million (1H net loss: HK\$175 million), which included a net HK\$70 million non-cash impairment provision charge to income made during the 1H for the right-of-use assets and property, plant and equipment. The basic loss per share was 7.1 HK cents (2019: basic earnings per share of 14.6 HK cents).*
- *The Company's board of directors has recommended a final dividend of 6.9 HK cents per share (2019: 4.4 HK cents per share), or a total dividend of 10.0 HK cents per share for the year (2019: 14.6 HK cents per share). The final dividend payable, if approved, would amount to approximately HK\$109 million.*
- *Group inventories shrunk by HK\$114 million to HK\$434 million. The inventory turnover days based on cost was 115 (2019: 100). Most of the merchandise was essential or in-season.*
- *Cash and bank balances, net of bank loans, increased to HK\$1,104 million as at December 31, 2020 (December 31, 2019: HK\$994 million).*

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The Board of directors (the “Board”) of Giordano International Limited (the “Company”) presents the following audited annual results of the Company and its subsidiaries (the “Group”) for the year ended December 31, 2020 along with comparative figures and explanatory notes.

### **Consolidated Income Statement**

<i>(In HK\$ million, except (loss)/earnings per share)</i>	<i>Note</i>	<b>2020</b>	2019
Sales	2	<b>3,122</b>	4,852
Cost of sales	4	<b>(1,386)</b>	(2,006)
Gross profit		<b>1,736</b>	2,846
Other income and other gains, net	3	<b>183</b>	83
Distribution expense	4	<b>(1,800)</b>	(2,300)
Administrative expense	4	<b>(224)</b>	(232)
Operating (loss)/profit	4	<b>(105)</b>	397
Finance expense	5	<b>(41)</b>	(55)
Share of profit of joint ventures		<b>39</b>	63
(Loss)/profit before income taxes		<b>(107)</b>	405
Income taxes	6	<b>(1)</b>	(116)
<b>(Loss)/profit after income taxes for the year</b>		<b>(108)</b>	289
Attributable to:			
Shareholders of the Company		<b>(112)</b>	230
Non-controlling interests		<b>4</b>	59
		<b>(108)</b>	289
(Loss)/earnings per share attributable to shareholders of the Company	7		
Basic ( <i>HK cents</i> )		<b>(7.1)</b>	14.6
Diluted ( <i>HK cents</i> )		<b>(7.1)</b>	14.6

### **Consolidated Statement of Comprehensive Income**

<i>(In HK\$ million)</i>	<b>2020</b>	2019
<b>(Loss)/profit after income taxes for the year</b>	<b>(108)</b>	289
<b>Other comprehensive income:</b>		
<u>Items that may be reclassified to profit or loss</u>		
Fair value change on financial asset at fair value through other comprehensive income	<b>(2)</b>	(1)
Exchange adjustments on translation of overseas subsidiaries, joint ventures and branches	<b>26</b>	(6)
<b>Total comprehensive (loss)/income for the year</b>	<b>(84)</b>	282
Attributable to:		
Shareholders of the Company	<b>(83)</b>	217
Non-controlling interests	<b>(1)</b>	65
	<b>(84)</b>	282

## Consolidated Balance Sheet

<i>(In HK\$ million)</i>	<i>Note</i>	<b>As at 31 December</b>	
		<b>2020</b>	<b>2019</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances		<b>1,256</b>	1,259
Financial asset at fair value through profit or loss		–	200
Trade and other receivables	9	<b>395</b>	353
Inventories		<b>434</b>	548
Leasehold land and rental prepayments		<b>2</b>	6
Income tax recoverable		<b>7</b>	–
<b>Total current assets</b>		<b>2,094</b>	2,366
<b>Non-current assets</b>			
Financial asset at fair value through other comprehensive income		<b>3</b>	5
Financial asset at fair value through profit or loss		<b>28</b>	28
Leasehold land and rental prepayments		–	5
Rental deposits		<b>97</b>	181
Interest in joint ventures		<b>549</b>	538
Investment properties		<b>23</b>	23
Property, plant and equipment		<b>130</b>	171
Right-of-use assets		<b>822</b>	1,279
Goodwill		<b>541</b>	546
Deferred tax assets		<b>96</b>	54
<b>Total non-current assets</b>		<b>2,289</b>	2,830
<b>Total assets</b>		<b>4,383</b>	5,196
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Bank loans		<b>52</b>	265
Trade and other payables	10	<b>518</b>	692
Lease liabilities		<b>427</b>	536
Put option liabilities		<b>81</b>	59
Income tax payables		<b>100</b>	100
<b>Total current liabilities</b>		<b>1,178</b>	1,652
<b>Non-current liabilities</b>			
Bank loans		<b>100</b>	–
Lease liabilities		<b>340</b>	572
Deferred tax liabilities		<b>134</b>	125
<b>Total non-current liabilities</b>		<b>574</b>	697
<b>Total liabilities</b>		<b>1,752</b>	2,349
<b>Capital and reserves</b>			
Share capital		<b>79</b>	79
Reserves		<b>2,282</b>	2,492
Proposed dividends	8	<b>109</b>	69
Equity attributable to shareholders of the Company		<b>2,470</b>	2,640
Non-controlling interests		<b>161</b>	207
<b>Total equity</b>		<b>2,631</b>	2,847
<b>Total equity and liabilities</b>		<b>4,383</b>	5,196
<b>Net current assets</b>		<b>916</b>	714
<b>Total assets less current liabilities</b>		<b>3,205</b>	3,544

## Notes to the Consolidated Financial Statements

### 1. Basis of preparation

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing Rules”) and by the Hong Kong Companies Ordinance. The consolidated financial statements have been prepared under the historical cost convention, except for certain financial assets and liabilities (including derivative instruments) measured at fair value.

#### (a) Impact of amended standards

The Group has applied the following amended standards issued by HKICPA which were effective for the Group’s financial year beginning on or after January 1, 2020:

- Amendments to HKAS 1 and HKAS 8 - Definition of Material;
- Amendments to HKFRS 3 - Definition of a Business;
- Amendments to HKAS 39, HKFRS 7 and HKFRS 9 - Interest Rate Benchmark Reform;
- Conceptual Framework for Financial Reporting 2018 - Revised Conceptual Framework for Financial Reporting.

The adoption of the above amendments to standards did not result in substantial changes to the Group’s accounting policies or financial results.

#### (b) New and amended standards issued, but not yet effective

The Group has not early applied the new and amended standards that have been issued but not yet effective. The adoption of these are not expected to have a material impact on the financial results of the Group.

### 2. Sales and operating segments

The Group determines its operating segments based on its development strategies and operational control. There are two major operating segments: Retail and Distribution and Wholesales to Overseas Franchisees. Management manages the Retail and Distribution operating segment geographically and by brand.

Geographically, the Retail and Distribution operating segment in Mainland China and the Middle East comprise directly operated stores (“DOS”) and franchised stores. HK and Macau, Taiwan and the rest of Asia Pacific do not have material local franchised stores. Group stores span most of Asia Pacific and the Middle East.

## 2. Sales and operating segments (continued)

As for brands, the Group presently operates *Giordano* and *Giordano Junior*, *Giordano Ladies*, *BSX* as well as other owned and licensed brands.

Adjusted EBITDA is (loss)/profit before finance expense, income taxes, impairment of right-of-use assets and property, plant and equipment, depreciation and amortization, share of profit of joint ventures and unallocated corporate items. Segment results are before finance expense, share of profit of joint ventures, income taxes and unallocated corporate items. This is the measurement basis reported to management and the senior decision-makers for the purpose of resources allocation and assessment of segment performance.

Analysis of sales and operating (loss)/profit of the Group's operating segment by geographic regions is as follows.

(In HK\$ million)	2020						Total
	Mainland China	HK and Macau	Taiwan	The rest of Asia Pacific	The Middle East	Wholesales to Overseas Franchisees	
Sales	701	362	534	954	387	184	3,122
Adjusted EBITDA	(2)	80	127	259	107	9	580
Depreciation and amortization							
— Right-of-use assets	(57)	(142)	(60)	(196)	(87)	-	(542)
— Property, plant and equipment and investment property	(11)	(5)	(9)	(29)	(13)	-	(67)
Impairment							
— Right-of-use assets	(6)	(51)	-	(18)	(4)	-	(79)
— Property, plant and equipment	(1)	(5)	-	(2)	-	-	(8)
Reversal of impairment							
— Right-of-use assets	4	4	-	6	-	-	14
— Property, plant and equipment	2	-	-	1	-	-	3
Segment results	(71)	(119)	58	21	3	9	(99)
Corporate functions							(6)
Finance expense							(41)
Share of profit of joint ventures							39
<b>Loss before income taxes</b>							<b>(107)</b>

## 2. Sales and operating segments (continued)

(In HK\$ million)	2019						Total
	Mainland China	HK and Macau	Taiwan	The rest of Asia Pacific	The Middle East	Wholesales to Overseas Franchisees	
Sales	995	772	587	1,584	662	252	4,852
Adjusted EBITDA	72	201	119	465	231	35	1,123
Depreciation and amortization							
— Right-of-use assets	(71)	(173)	(59)	(208)	(94)	—	(605)
— Property, plant and equipment and investment properties	(18)	(12)	(15)	(38)	(14)	—	(97)
— Leasehold land prepayments	(1)	—	—	—	—	—	(1)
Impairment							
— Right-of-use assets	(11)	(9)	—	(6)	—	—	(26)
— Property, plant and equipment	(4)	(2)	(1)	(4)	—	—	(11)
Segment results	(33)	5	44	209	123	35	383
Corporate functions							14
Finance expense							(55)
Share of profit of joint ventures							63
Profit before income taxes							405

Further analysis of the Retail and Distribution operating segment by brand is as follows.

(In HK\$ million)	2020		2019	
	Operating Sales	Operating (loss)/profit	Operating Sales	Operating profit/(loss)
<b>Retail and Distribution</b>				
<i>Giordano and Giordano Junior</i>	<b>2,482</b>	<b>(108)</b>	3,831	307
<i>Giordano Ladies</i>	<b>235</b>	<b>4</b>	395	34
<i>BSX</i>	<b>45</b>	<b>(4)</b>	101	(3)
Others	<b>176</b>	<b>—</b>	273	10
	<b>2,938</b>	<b>(108)</b>	4,600	348

The Company has its domicile in HK. Sales to external customers recorded in HK and Macau (including retail and wholesale sales) are HK\$546 million (2019: HK\$1,024 million), Mainland China HK\$701 million (2019: HK\$995 million) and external customers from other markets HK\$1,875 million (2019: HK\$2,833 million).

Inter-segment sales of HK\$690 million (2019: HK\$1,160 million) have been eliminated upon consolidation.

## 2. Sales and operating segments (continued)

Income tax credit related to Mainland China was HK\$6 million (2019: Income taxes charged of HK\$5 million), HK and Macau HK\$20 million (2019: Income taxes charged of HK\$3 million) and the Middle East HK\$2 million (2019: Income taxes charged of HK\$9 million). Income taxes charged related to Taiwan was HK\$9 million (2019: HK\$10 million) and the rest of Asia Pacific HK\$10 million (2019: HK\$60 million).

Analysis of the Group's assets by geographic region is as follows.

<i>(In HK\$ million)</i>	<b>Segment assets</b>	
	<b>2020</b>	2019
Segment assets		
The rest of Asia Pacific	<b>1,102</b>	1,159
The Middle East	<b>918</b>	1,044
HK and Macau	<b>822</b>	1,174
Mainland China	<b>625</b>	704
Taiwan	<b>240</b>	290
	<b>3,707</b>	4,371
Interest in joint ventures	<b>549</b>	538
Financial asset at fair value through other comprehensive income	<b>3</b>	5
Financial asset at fair value through profit or loss	<b>28</b>	228
Deferred tax assets	<b>96</b>	54
<b>Total assets</b>	<b>4,383</b>	5,196

The total non-current assets other than financial instruments and deferred tax assets located in HK and Macau was HK\$244 million (2019: HK\$477 million); Mainland China, HK\$108 million (2019: HK\$176 million); and other markets, HK\$1,810 million (2019: HK\$2,090 million).

## 3. Other income and other gains, net

<i>(In HK\$ million)</i>	<b>2020</b>	2019
Government grants	<b>102</b>	–
Royalty income	<b>30</b>	31
Interest income	<b>12</b>	21
Net exchange gain	<b>11</b>	5
Rental and sub-lease rental income	<b>8</b>	12
Dividend income	<b>3</b>	3
Fair value gain/(loss) on financial asset at fair value through profit or loss	<b>1</b>	(1)
Net loss on disposal of property, plant and equipment	<b>(1)</b>	(1)
Others	<b>17</b>	13
	<b>183</b>	83



#### 4. Operating (loss)/profit

Operating (loss)/profit is after charging/(crediting):

<i>(In HK\$ million)</i>	2020	2019
<b>Cost of sales</b>		
Cost of inventories sold	1,377	2,000
Provision for obsolete stock and stock written off	9	6
	<b>1,386</b>	<b>2,006</b>
<b>Distribution expense</b>		
Staff cost	574	763
Depreciation expenses		
— Right-of-use assets	525	589
— Property, plant and equipment	61	90
Rentals in respect of land and building		
— Minimum lease payments	66	183
— Contingent rent	147	189
Building management fee, government rent and rates and utilities	106	122
Advertising, promotion and incentives	81	107
Packaging and deliveries	45	58
Bank and credit card charges	20	33
Impairment		
— Right-of-use assets	79	26
— Property, plant and equipment	8	11
Reversal of impairment		
— Right-of-use assets	(14)	—
— Property, plant and equipment	(3)	—
Amortization of leasehold land prepayments	—	1
Others	105	128
	<b>1,800</b>	<b>2,300</b>
<b>Administrative expense</b>		
Staff cost	118	145
Depreciation expenses		
— Right-of-use assets	17	16
— Property, plant and equipment and investment properties	6	7
Legal and professional fee	25	15
Auditor's remuneration	6	6
Computer and telecommunication	6	6
Travelling	2	4
Rentals in respect of land and building		
— Minimum lease payments	1	3
Business and other taxes	1	1
Others	42	29
	<b>224</b>	<b>232</b>

## 5. Finance expense

<i>(In HK\$ million)</i>	2020	2019
Interest on lease liabilities	39	49
Interest on bank loans	2	6
	<b>41</b>	<b>55</b>

## 6. Income taxes

HK profits tax is calculated at the rate of 16.5% (2019: 16.5%) on the estimated assessable profits for the year. Income taxes on profits assessable outside HK are calculated at the rates applicable in the respective jurisdictions.

<i>(In HK\$ million)</i>	2020	2019
<b>Current income taxes</b>		
HK	5	15
Outside HK	16	70
Over provision in prior years	(3)	(1)
Withholding taxes	21	34
	<b>39</b>	118
<b>Deferred income taxes</b>		
Origination and reversal of temporary differences	(38)	(2)
	<b>1</b>	116

This charge excludes the share of joint ventures' income taxes of HK\$12 million (2019: HK\$20 million) for the year. The share of profit of joint ventures in the consolidated income statement is after income taxes accrued in the appropriate income tax jurisdictions.

## 7. (Loss)/earnings per share

The calculations of basic and diluted (loss)/earnings per share are based on the loss after income taxes attributable to shareholders of the Company for the year of HK\$112 million (2019: profit of HK\$230 million).

The basic (loss)/earnings per share is based on the weighted average of 1,578,073,660 shares (2019: 1,578,500,518 shares) in issue during the year.

Diluted loss per share for the year ended December 31, 2020 is equal to the basic loss per share as the potential dilutive ordinary shares arising from exercise of the outstanding share options would be anti-dilutive.

Diluted earnings per share for the year ended December 31, 2019 was the same as the basic earnings per share since the share options had anti-dilutive effect.

## 8. Dividends

<i>(In HK\$ million)</i>	2020	2019
Interim dividend declared and paid of 3.1 HK cents per share (2019: 10.2 HK cents per share)	49	161
Final dividend proposed after the balance sheet date of 6.9 HK cents per share (2019: 4.4 HK cents per share)	109	69
	<b>158</b>	<b>230</b>

On March 11, 2021, the Board recommended a final dividend of 6.9 HK cents per share and is subject to the approval of the Company's shareholders at the forthcoming annual general meeting. The proposed dividend has not been recognized as a liability at the balance sheet date. The amount of proposed dividend was based on the shares of the Company in issue as at the reporting date.

## 9. Trade and other receivables

<i>(In HK\$ million)</i>	2020	2019
Trade receivables	228	239
Less: Loss allowance	(60)	(27)
Trade receivables, net	168	212
Ageing analysis from the invoice date net of loss allowance is as follows:		
0 - 30 days	162	165
31 - 60 days	6	31
61 - 90 days	–	13
Over 90 days	–	3
	168	212
Other receivables, including deposits and prepayments	227	141
	<b>395</b>	<b>353</b>

Trade receivables mainly comprise amounts due from franchisees, licensees and retail proceeds due from department stores. The Group normally allows a credit period of 30 - 90 days. The carrying amounts of trade and other receivables are stated approximately at their fair values.

## 10. Trade and other payables

<i>(In HK\$ million)</i>	<b>2020</b>	2019
Trade payables	<b>166</b>	139
The ageing analysis of trade payables is as follows:		
0 - 30 days	<b>91</b>	111
31 - 60 days	<b>47</b>	15
61 - 90 days	<b>15</b>	1
Over 90 days	<b>13</b>	12
	<b>166</b>	139
Other payables and accrued expense	<b>352</b>	553
	<b>518</b>	692

The carrying amounts of trade payables and other payables are stated approximately at their fair values.

## **MANAGEMENT DISCUSSION AND ANALYSIS OF GROUP RESULTS OF OPERATIONS AND FINANCIAL POSITION**

The following commentaries refer to the year-on-year comparison for the years ended December 31, 2020, and 2019, unless otherwise stated.

### **OVERVIEW**

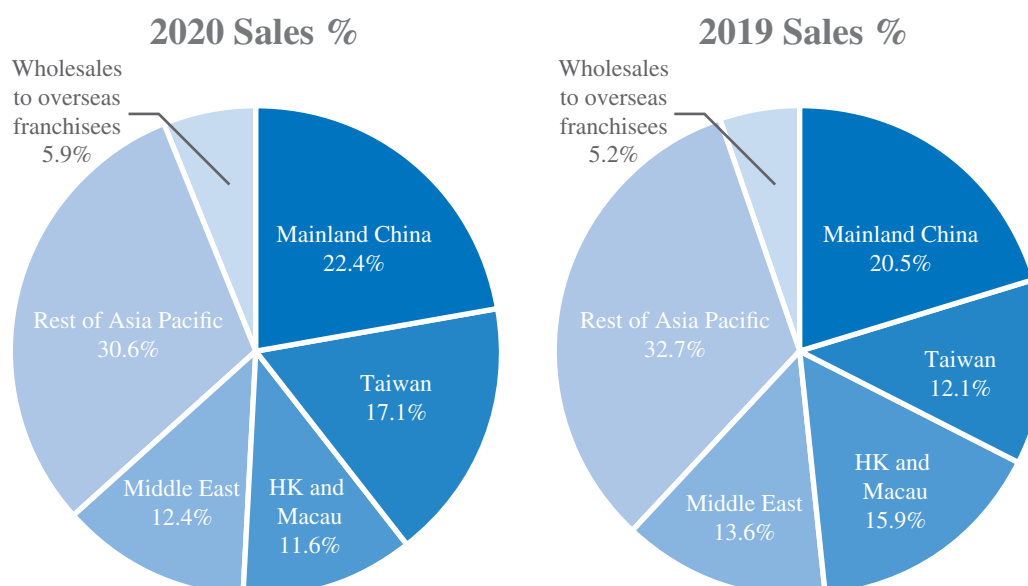
- The Group is an international apparel retailer with a portfolio of owned, franchised and licensed brands. We offer high-quality, value-for-money and easy-to-wear apparel and accessories through a network of approximately 2,185 stores, or 2,105,000 sq. ft. of retail floor space.
- Group sales and gross margin improved in the second half of the year, in which the sales drop narrowed to -26.0% (2020 1H: -44.4%) with a gross margin of 56.4% (2020 1H: 54.6%). For the year, group sales declined by 35.7% to HK\$3,122 million (2019: HK\$4,852 million) at a gross margin of 55.6% (2019: 58.7%).
- Online sales increased by 22.1% to contribute 10.5% (2019: 5.5%) to total sales. Outside of Mainland China, online sales registered a 123.5% increase and constituted 23.3% of consolidated online sales (2019: 12.7%).
- The 2H's net profit helped reduce the full-year net loss to HK\$112 million (1H net loss: HK\$175 million), which included a net HK\$70 million non-cash impairment provision charge to income made during the 1H for the right-of-use assets and property, plant and equipment. The basic loss per share was 7.1 HK cents (2019: basic earnings per share of 14.6 HK cents).
- The Company's board of directors has recommended a final dividend of 6.9 HK cents per share (2019: 4.4 HK cents per share), or a total dividend of 10.0 HK cents per share for the year (2019: 14.6 HK cents per share). The final dividend payable, if approved, would amount to approximately HK\$109 million.
- Group inventories shrunk by HK\$114 million to HK\$434 million. The inventory turnover days based on cost was 115 (2019: 100). Most of the merchandise was essential or in-season.
- Cash and bank balances, net of bank loans, increased to HK\$1,104 million as at December 31, 2020 (December 31, 2019: HK\$994 million).

## RESULTS OF OPERATIONS

**Table 1: Group results of operations**

<i>(In HK\$ million)</i>	2020	% to sales	2019	% to sales	Change
The rest of Asia Pacific	954	30.6%	1,584	32.7%	(39.8%)
Mainland China	701	22.4%	995	20.5%	(29.5%)
Taiwan	534	17.1%	587	12.1%	(9.0%)
The Middle East	387	12.4%	662	13.6%	(41.5%)
HK and Macau	362	11.6%	772	15.9%	(53.1%)
Wholesales to overseas franchisees	184	5.9%	252	5.2%	(27.0%)
Group sales <sup>1</sup>	3,122	100.0%	4,852	100.0%	(35.7%)
Gross profit	1,736	55.6%	2,846	58.7%	(39.0%)
Operating expense	(1,954)	(62.6%)	(2,495)	(51.4%)	(21.7%)
Impairment loss of right-of-use assets and property, plant and equipment	(87)	(2.8%)	(37)	(0.8%)	135.1%
Reversal of impairment loss on right-of-use assets and property, plant and equipment	17	0.5%	–	–	N/A
Operating profit (loss)	(105)	(3.4%)	397	8.2%	(126.4%)
Finance expense	(41)	(1.3%)	(55)	(1.1%)	(25.5%)
Profit (loss) attributable to shareholders	(112)	(3.6%)	230	4.7%	(148.7%)
Global brand sales <sup>2</sup>	4,164		6,163		(32.4%)
Global brand gross profit <sup>2</sup>	2,456		3,746		(34.4%)
Net cash and bank balances at year-end	1,104		994		11.1%
Inventories at year-end	434		548		(20.8%)
Inventory turnover on cost, days <sup>3</sup>	115		100		15
Stores at year-end	2,185		2,375		(190)

**Chart 1: Group sales contribution by region**



## Sales and gross profit

The Covid-19 pandemic has severely hurt the global economy and consumer sentiment since the beginning of the year. Mandatory lockdowns and stringent social distancing measures shortened business hours intermittently. As the lockdowns relaxed, our sales have begun to improve in most regions in the second half of the year. For the full year, group sales decreased by 35.7%, improved from a 44.4% drop recorded for the first half of the year when most of the Group's markets suffered lockdowns.

Online platforms grew significantly while the offline business plummeted. The Group's online channels generated HK\$326 million in revenue (see Table 2), representing a 22.1% growth and contributing 10.5% (2019: 5.5%) to total sales. The expansion outside Mainland China was 123.5% and is continuing. Mainland China online sales still made up 76.7% of the Group's online sales (2019: 87.3%). The Group's online sales growth strategy will continue to focus on locally dominant third-party platforms.

Our franchised stores also suffered from the pandemic. Our sales to franchisees, to prevent inventory overload, ebbed by 28.8%.

**Table 2: Group sales by channels**

<i>(In HK\$ million)</i>	<b>2020</b>	<b>Contribution</b>	2019	Contribution	<b>Change</b>
Physical stores	<b>2,389</b>	<b>76.5%</b>	4,013	82.7%	<b>(40.5%)</b>
Online business	<b>326</b>	<b>10.5%</b>	267	5.5%	<b>22.1%</b>
Retail sales	<b>2,715</b>	<b>87.0%</b>	4,280	88.2%	<b>(36.6%)</b>
Wholesales to franchisees	<b>407</b>	<b>13.0%</b>	572	11.8%	<b>(28.8%)</b>
<b>Group sales</b>	<b>3,122</b>	<b>100.0%</b>	4,852	100.0%	<b>(35.7%)</b>

The overall gross margin was down by 3.1 percentage points due to channel and country mix changes and a mild price discount to bring down inventory balance. Since the second half of the year, our gross margin has started to improve through price control of our new season merchandise, and matched last year's level towards the end of the financial year. Table 3 provides an analysis of the change in Group gross profit, by region (used interchangeably with "market"), for the full year.

**Table 3: Group gross profit change by region**

<i>(In HK\$ million)</i>	2019			Volume	Translational exchange impact		Miscellaneous	2020 gross profit
	gross profit	Product costs	Selling price					
The rest of Asia Pacific	938	(6)	(53)	(326)	(15)	(6)	532	
Taiwan	360	10	(17)	(34)	12	(1)	330	
Mainland China	496	(12)	(28)	(130)	(3)	–	323	
HK and Macau	518	1	7	(281)	–	2	247	
The Middle East	428	2	(26)	(158)	(3)	1	244	
Market mix	–	(29)	29	–	2	(2)	–	
<b>Retail and distribution</b>	<b>2,740</b>	<b>(34)</b>	<b>(88)</b>	<b>(929)</b>	<b>(7)</b>	<b>(6)</b>	<b>1,676</b>	
Wholesales to overseas franchisees/subsidiaries	106						60	
<b>Group</b>	<b>2,846</b>						<b>1,736</b>	

**Other income and other gains, net**

Other income and other gains, representing revenues from royalty, licensing, interest, government grants and rental income, increased by HK\$100 million to HK\$183 million. Of this amount, HK\$102 million were Covid-19 related financial relief from governments.

**Operating expense and operating profit (loss)**

Operating expense decreased by 21.7% compared with 2019 and will continue to decline in 2021 as our cost rationalization continues. Despite the effort, the Group recorded an operating loss of HK\$105 million (2019: operating profit of HK\$397 million) for the year due to the severe drop in sales, exacerbated by the exceptional net impairment charges of HK\$70 million. In the second half, the reduction in operating expenses and receipt of government relief, coupled with improved sales, helped the Group to register an operating profit of HK\$77 million, against a HK\$182 million operating loss in the first half.

**Impairment of right-of-use assets and property, plant and equipment**

Based on the HKAS 36 requirements, the Group made a net HK\$70 million provision (2019: HK\$37 million) in the 1H for the impairment of right-of-use (“ROU”) assets and property, plant and equipment. The impairment provision, a non-cash charge to income, will reduce the net carrying amount of the ROU assets and property, plant and equipment, reducing the depreciation charge over the remaining lease terms.

**Finance expense**

Finance expense of HK\$41 million (2019: HK\$55 million) mainly comprises interest on lease liabilities of HK\$39 million (2019: HK\$49 million) and bank interest expense.



## Profit (loss) after income taxes attributable to shareholders of the Company

The year's loss after income taxes attributable to shareholders ("LATS") was HK\$112 million (1H LATS: HK\$175 million) after a HK\$70 million (2019: HK\$37 million) impairment provision for ROU assets and property, plant and equipment, as compared to the profit after income taxes attributable to shareholders ("PATS") of HK\$230 million recorded in the same period last year, detailed by region, in Table 4 below.

**Table 4: Group PATS (LATS) change by region**

*(In HK\$ million)*

<b>Reported 2019 PATS</b>	<b>230</b>
Taiwan	11
South Korea	(24)
Mainland China	(38)
Wholesales to overseas franchisees/subsidiaries	(51)
The Middle East	(120)
HK and Macau	(124)
The rest of Asia Pacific	(187)
Income taxes, non-controlling interests, finance expense and headquarter expense	189
<b>2020 LATS without currency translation difference</b>	<b>(114)</b>
Currency translation difference	2
<b>Reported 2020 LATS</b>	<b>(112)</b>

## ANALYSIS BY MARKET

The following market-specific comments are in local currencies or, if in HK\$, are at constant exchange rates to remove distortions from the translation of financial statements. These figures include foreign currencies exchange rates impact on imported product costs contracted at non-local currencies.

## Greater China

**Table 5: Profit (loss) before income taxes in Greater China**

<i>(In HK\$ million, translated at constant exchange rates)</i>	<b>2020</b>	<b>% to sales</b>	2019	% to sales	<b>Change</b>
Total sales	<b>1,582</b>	<b>100.0%</b>	2,354	100.0%	<b>(32.8%)</b>
Gross profit	<b>891</b>	<b>56.3%</b>	1,374	58.4%	<b>(35.2%)</b>
Operating expense	<b>(1,041)</b>	<b>(65.8%)</b>	(1,350)	(57.3%)	<b>(22.9%)</b>
Impairment loss of right-of-use assets and property, plant and equipment	<b>(63)</b>	<b>(4.0%)</b>	(27)	(1.1%)	<b>133.3%</b>
Reversal of impairment loss on right-of-use assets and property, plant and equipment	<b>10</b>	<b>0.6%</b>	–	–	<b>N/A</b>
Operating profit (loss)	<b>(135)</b>	<b>(8.5%)</b>	16	0.7%	<b>(943.8%)</b>
Finance expense	<b>(12)</b>	<b>(0.8%)</b>	(16)	(0.7%)	<b>(25.0%)</b>
Profit (loss) before income taxes	<b>(147)</b>	<b>(9.3%)</b>	–	–	<b>N/A</b>

## HK and Macau

Hong Kong business has been disappointing due to the high cost of operating. The 2019 social events and the 2020 Covid-19 pandemic devastated the economy. Incoming tourism came to a halt. The unemployment rate has risen rapidly, and a full recovery could be years away. The Group has reduced the business scale by closing high rental loss-making stores. On December 31, 2020, the total number of stores was 62 (2019: 73). Macau, on the other hand, shows some positive signs of recovery.

Our online business is increasingly important. Online sales were up by 84.2%, primarily through third-party platforms.

## Mainland China & Taiwan

Business in Mainland China started to recover in the second half of the year. Our online sales grew 7.3%, and franchised stores increased by a net of 31 from the first half. Mainland China remains our key strategic market, where there is a strong growth prospect of online sales and franchised networks.

Taiwan's business rebounded strongly in the fourth quarter, where we benefited from upgraded brand image and reduced competition. Taiwan's market will continue to perform well in 2021.

**Table 6: Sales and stores distribution in Greater China by market**

<i>(In HK\$ million, translated at constant exchange rates)</i>	Sales			Franchised stores at year-end		Direct-operated stores at year-end		Total stores at year-end	
	2020	2019	Change	2020	2019	2020	2019	2020	2019
Mainland China	706	995	(29.0%)	559	641	225	261	784	902
Taiwan	514	587	(12.4%)	–	–	184	197	184	197
HK and Macau	362	772	(53.1%)	–	–	62	73	62	73
<b>Total</b>	<b>1,582</b>	<b>2,354</b>	<b>(32.8%)</b>	<b>559</b>	<b>641</b>	<b>471</b>	<b>531</b>	<b>1,030</b>	<b>1,172</b>

**The rest of Asia Pacific****Table 7: Profit (loss) before income taxes in the rest of the Asia Pacific**

<i>(In HK\$ million, translated at constant exchange rates)</i>	2020	% to sales	2019	% to sales	Change
Total sales	982	100.0%	1,584	100.0%	(38.0%)
Gross profit	547	55.7%	938	59.2%	(41.7%)
Operating expense	(565)	(57.5%)	(730)	(46.1%)	(22.6%)
Impairment loss of right-of-use assets and property, plant and equipment	(20)	(2.0%)	(10)	(0.6%)	100.0%
Reversal of impairment loss on right-of-use assets and property, plant and equipment	7	0.7%	–	–	N/A
Operating profit	22	2.2%	209	13.2%	(89.5%)
Finance expense	(22)	(2.2%)	(23)	(1.5%)	(4.3%)
Profit (loss) before income taxes	–	–	186	11.7%	(100.0%)

In Southeast Asia, travel restrictions and social distancing measures had practically shut down global tourism in the region. There has been robust local tourism since the second half of the year. Most of our Southeast Asia regions recorded profits for the full year.

**Table 8: Sales and stores distribution in the rest of the Asia Pacific by market**

<i>(In HK\$ million, translated at constant exchange rates)</i>	Sales			Stores at year-end	
	2020	2019	Change	2020	2019
Indonesia	396	630	(37.1%)	239	238
Thailand	224	361	(38.0%)	168	172
Singapore	167	271	(38.4%)	40	42
Malaysia	101	177	(42.9%)	90	95
Vietnam	66	89	(25.8%)	53	41
Australia	19	45	(57.8%)	7	7
Cambodia	9	11	(18.2%)	2	2
<b>Total</b>	<b>982</b>	<b>1,584</b>	<b>(38.0%)</b>	<b>599</b>	<b>597</b>

## The Middle East

**Table 9: Profit (loss) before income taxes in the Middle East**

<i>(In HK\$ million, translated at constant exchange rates)</i>	<b>2020</b>	<b>% to sales</b>	2019	% to sales	<b>Change</b>
Total sales	<b>391</b>	<b>100.0%</b>	662	100.0%	<b>(40.9%)</b>
Gross profit	<b>247</b>	<b>63.2%</b>	428	64.7%	<b>(42.3%)</b>
Operating expense	<b>(241)</b>	<b>(61.6%)</b>	(308)	(46.5%)	<b>(21.8%)</b>
Impairment loss of right-of-use assets and property, plant and equipment	<b>(4)</b>	<b>(1.0%)</b>	–	–	<b>N/A</b>
Operating profit	<b>3</b>	<b>0.8%</b>	123	18.7%	<b>(97.6%)</b>
Finance expense	<b>(7)</b>	<b>(1.8%)</b>	(10)	(1.5%)	<b>(30.0%)</b>
Profit (loss) before income taxes	<b>(4)</b>	<b>(1.0%)</b>	113	17.2%	<b>(103.5%)</b>
<i>Franchised stores</i>	<b>34</b>		35		
<i>Direct-operated stores</i>	<b>139</b>		146		
<i>Total stores at year-end</i>	<b>173</b>		181		<b>(8)</b>

Business in the Middle East relies heavily on expatriates and global tourism. Sales drop eased during the second half of the year, but a full recovery depends on expatriates and international tourists' return. The Group, confident in the region's growth, will aggressively expand when Covid-19 is no longer a critical negative factor to business sentiment.

## South Korea (a 48.5% joint venture under an independent management team)

**Table 10: Share of net profit, South Korea**

<i>(In Korean Won million)</i>	<b>2020</b>	<b>% to sales</b>	2019	% to sales	<b>Change</b>
Total sales	<b>175,134</b>	<b>100.0%</b>	205,138	100.0%	<b>(14.6%)</b>
Gross profit	<b>96,782</b>	<b>55.3%</b>	118,482	57.8%	<b>(18.3%)</b>
Net profit	<b>12,146</b>	<b>6.9%</b>	19,394	9.5%	<b>(37.4%)</b>
Share of net profit	<b>5,891</b>		9,406		<b>(37.4%)</b>
<i>Stores at year-end</i>	<b>172</b>		175		<b>(3)</b>

The pandemic adversely impacted South Korea's sales as stringent social distancing measures seriously affected footfall to physical stores. Online sales surged and contributed to 35% of total sales (2019: 25%). The Group and the local management look ahead for a speedy recovery in 2021.

## Wholesales to overseas franchisees

**Table 11: Overseas franchised stores**

<b>By market</b>	<b>2020</b>	2019
Southeast Asia	<b>192</b>	229
South Korea	<b>172</b>	175
Other markets	<b>19</b>	21
<b>Total stores</b>	<b>383</b>	425

Wholesales to overseas franchisees decreased by 27.0% to HK\$184 million (2019: HK\$252 million), reflecting their retail sales decline under the Covid-19 pandemic and Management's prudent response to reduce shipments.

During the year, we commenced both offline and online channels in Kenya, Russia and Mauritius. Though initially modest, these newly opened franchise markets will pay off in the medium to long run. The developing economies are the Group's focus markets.

## FINANCIAL POSITION

### Liquidity and financial resources

Although sales drastically declined during the year, the Group's financial position was robust due to the continuous reduction in operating costs, trade receivables and inventory, and receipt of government grants. On December 31, 2020, the cash and bank balance net of bank loans were HK\$1,104 million (2019: HK\$994 million), representing an improvement of 11.1%.

On December 31, 2020, the Group's current ratio was 1.8 (2019: 1.4); and bank borrowings were HK\$152 million (2019: HK\$265 million). The Group's gearing ratio, defined as the ratio of total borrowings less cash and bank balances to equity attributable to owners of the Company, was -0.4 (2019: -0.4).

### Property, plant and equipment

During the year, capital expenditure was HK\$30 million (2019: HK\$76 million), significantly reduced owing to cautious store refurbishment programs in response to the Covid-19 pandemic.

### Goodwill and put option liabilities

The goodwill and put option liability stems from the Middle East operation's acquisition in 2012 and 2015. We carry out annual impairment tests and concluded that no impairment to goodwill was necessary for the 2020 financial year.

## Interests in joint ventures

Interest in joint ventures represents a 48.5% interest in the South Korea joint venture. The change in HK\$11 million during the year derives from our profit share of HK\$39 million and currency translation differences, offset by dividends received.

## Inventories

At the end of the year, Group inventories were HK\$434 million (2019: HK\$548 million), representing a significant 20.8% decrease (1H: 7.6%). Inventory turnover on cost increased by 15 days (1H: 46 days increase) to 115 days, primarily due to lower sales.

Inventories at suppliers and franchisees are not our legal liabilities. Nonetheless, the Group responsibly tracks their levels to ensure that they are not excessive. Our finished goods at suppliers were significantly lower than last year, as shown in Table 12.

**Table 12: System inventories**

<i>(In HK\$ million)</i>	On December 31	
	2020	2019
Inventories owned by the Group	434	548
Inventories held by 48.5% South Korea joint venture	232	196
Inventories held by franchisees in Mainland China	50	73
Finished goods at suppliers	6	12
Inventories not owned by the Group	288	281
<b>Total system inventories</b>	<b>722</b>	<b>829</b>

## Trade receivables and payables

The Group prudently manages its trade receivables, especially during these uncertain times. Trade receivables turnover days for the year were 51 days, which were up by 6 days only compared to the last year (2019: 45 days). Trade payables turnover days increased by 19 days to 44 days during the year under arrangements with our suppliers and are in line with industry practice (2019: 25 days).

## **Dividends**

The Company has adopted a dividend policy on November 8, 2018 (the “Dividend Policy”). The Dividend Policy aims to return surplus cash to its shareholders through the payment of dividends and share repurchase. In line with the Dividend Policy, the Company has been paying a substantial portion of its earnings as an ordinary dividend, the amount of which may vary depending on cash on hand, future investment requirements and working capital considerations.

Having considered the economic outlook, the Group’s financial position, its future expansion plans and other factors, the Board has thus recommended a final dividend of 6.9 HK cents per share (2019: 4.4 HK cents per share) for the year ended December 31, 2020. Together with the interim dividend of 3.1 HK cents per share (2019: 10.2 HK cents per share) paid on September 18, 2020, total 2020 dividend would amount to 10.0 HK cents per share (2019: 14.6 HK cents per share). Subject to the approval of our shareholders at the forthcoming annual general meeting of the Company, the final dividend will be payable on Friday, June 18, 2021, to shareholders whose names appear on the register of members of the Company on Thursday, June 3, 2021.

## **FURTHER ACQUISITION OF A SUBSIDIARY**

On July 17, 2020, GI.PT Singapore Pte. Ltd (“GI.PT”), an indirect non-wholly owned subsidiary of the Company incorporated in Singapore, entered into a sale and purchase agreement (“Acquisition Agreement”) with P.T. Eses Entrindo (“PTEE”), pursuant to which GI.PT has conditionally agreed to acquire, and PTEE has conditionally agreed to sell, 375 shares (“Sale Shares”), representing 15% of the total issued share capital of PT Giordano Indonesia, an indirect non-wholly owned subsidiary of the Company incorporated in Indonesia, at a consideration of SG\$4 million.

The above acquisition was completed on July 20, 2020. After the acquisition of the Sales Shares, GI.PT holds 65.08% equity interest in PT Giordano Indonesia.

Pursuant to the Acquisition Agreement, GI.PT also granted PTEE an one-time exercise buy-back option to repurchase all (but not part) of the Sale Shares from GI.PT for an agreed repurchased price of SG\$4.6 million, representing a 15% buy-back premium, and such option will only be exercisable until June 14, 2021 or such other date as PTEE and GI.PT may agree in writing.

For details of the above acquisition, please refer to the announcement of the Company dated July 17, 2020.

## **OUTLOOK**

2020 was one of the most challenging years in the Company’s history. Covid-19 has wreaked havoc on the global economy and severely hampered our worldwide business, especially for physical stores. The Group has taken a conservative approach to deal with the crisis by focusing on cash management. As a result, our financial position remains robust after a year of turmoil. Management believes that such action is the foundation for long term success.

## **OUTLOOK (continued)**

In addition to aggressive streamlining of the Group's business, reduction of costs and pursuance of concessions and subsidies, Management is now proactively re-selecting competitive and resilient suppliers with integrated platforms, multi-locations, and technology investment to better mitigate risks, increase flexibility and respond more quickly to fluctuations in the market.

2021 will continue to be challenging. At the time of writing, the new waves and the virus's latest variants continue to affect the global economy and consumer spending. While the mass roll-out of vaccinations is expected to help power a global economic recovery, it will take time to offset the damage caused by the pandemic. Although Group sales have been improving, it is difficult to predict the timing and strength of a full and sustained sales rebound. Management believes that crisis also creates opportunities. One of these opportunities is to digitize operations, marketing, and sales channels.

Hong Kong's unabated high operating cost necessitates a hastened online channel development pace to replace offline sites. Elsewhere, Taiwan will lead all markets in a quick recovery, followed by a steady improvement in Mainland China, where online platforms and franchise markets will be our development focus. The slump in the performance of our other regions appears to have bottomed-out, and show signs of a gradual recovery on a strengthened brand position for pricing power and gross margin.

We will see substantial sales growth in both proprietary and third-party online channels in all regions, especially outside Mainland China. A number of the Group's longstanding business-to-consumer online marketplace partners are now expanding their geographical reach with increased localized investment and presence, which the Group intends to take full advantage of. We will also continue to re-allocate additional resources to our proprietary online services.

The Company continues to forge ahead with its international business expansion, especially in developing markets. We have experienced successes in Kenya and Mauritius, where offline store openings have accelerated, and we are gaining traction in the African continent. Having previously secured a foothold in the South African and Zambian markets, the Group's dedicated business development team is also currently in talks with interested parties from various other African countries. We hope to add a few more markets both in and outside of the continent shortly.

The transformative organizational changes that we put into place more than a year ago and the resilience that we have built into our business and our people have enabled us to navigate the uncertainty with tenacity. We are better prepared for any challenges that lie ahead, while positioning ourselves to capitalize on the rebound.

## **OTHER INFORMATION**

### **Human Resources**

On December 31, 2020, the Group had approximately 6,400 employees (December 31, 2019: 7,900). The Group offers competitive remuneration packages and generous, goal-oriented bonuses targeted to different levels of staff. We provide senior managers with performance-based/discretionary bonus schemes and share options to reward and retain a high calibre leadership team. We also invest heavily in training in sales and customer service, management, planning and leadership development to maintain a skilled and motivated workforce. Currently, the average age of our key people is 46, compared with 51 a year ago.



## **Annual General Meeting**

The annual general meeting of the Company is scheduled to be held on Friday, May 21, 2021 (the “2021 AGM”). A notice convening the 2021 AGM, which constitutes part of the circular to shareholders, will be sent to the shareholders together with the 2020 annual report of the Company. The notice of the 2021 AGM and the proxy form will also be available on the websites of the Company and Hong Kong Exchange and Clearing Limited.

## **Closure of Register of Members**

### ***Annual General Meeting***

For determining the entitlement to attend and vote at the 2021 AGM, the register of members of the Company will be closed from Friday, May 14, 2021 to Friday, May 21, 2021 (both days inclusive), during which period no share transfers will be registered. In order to be eligible to attend and vote at the 2021 AGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Thursday, May 13, 2021.

### ***Final Dividend***

For determining the entitlement to the proposed final dividend, the register of members of the Company will be closed from Tuesday, June 1, 2021 to Thursday, June 3, 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Abacus Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, May 31, 2021.

## **Corporate Governance Code**

During the year ended December 31, 2020, the Company has complied with all applicable code provisions under the Corporate Governance Code as set out in Appendix 14 to the Listing Rules, except for the following deviations:

### ***Code provision A.2.1***

Code provision A.2.1 provides that the roles of the chairman and the chief executive should be separate and should not be performed by the same individual. Currently, Dr. LAU Kwok Kuen, Peter holds the positions of Chairman and Chief Executive. In view of Dr. LAU’s extensive experience in the industry and deep understanding of the Group’s businesses, the Board believes that vesting the roles of both Chairman and Chief Executive in Dr. LAU provides the Group with strong leadership, allowing for more effective planning and execution of long-term business strategies and enhances efficiency in decision-making. The Board also believes that the Company already has a strong corporate governance structure appropriate for its circumstances in place to ensure effective oversight of Management.

## ***Code provision A.4.2***

Code provision A.4.2 provides that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years. According to the bye-laws of the Company, one-third of the Directors, with the exception of Chairman or Managing Director, shall retire from office by rotation at each annual general meeting. In the opinion of the Board, stability and continuation are key factors to the successful implementation of business plans. The Board believes that it is beneficial to the Group that there is continuity in the role of the Chairman and, therefore, the Board is of the view that the Chairman should be exempt from this arrangement at the present time.

## **Securities Transactions by Directors**

The Company has adopted its own Code of Conduct for Securities Transactions by Directors (the “Code of Conduct for Securities Transactions”). This is on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules, and has been updated from time-to-time. Having made specific enquiries to all directors of the Company, all directors of the Company confirmed that they had complied with the required standards set out in the Model Code and the Code of Conduct for Securities Transactions throughout the year ended December 31, 2020.

## **Purchase, Sale or Redemption of the Company’s Listed Securities**

During the year ended December 31, 2020, a total of 870,000 ordinary shares were repurchased by the Company on the Stock Exchange. All the repurchased shares were cancelled by the Company. The Directors believe that the repurchases were made to reflect the Company’s confidence in its long term business prospects and would ultimately benefit the Company and create value for the shareholders of the Company. Details of the repurchases of shares of the Company were as follows:

<b>Month of repurchase</b>	<b>Number of shares repurchased</b>	<b>Highest price per share</b> <i>HK\$</i>	<b>Lowest price per share</b> <i>HK\$</i>	<b>Aggregate purchase price (before expenses)</b> <i>HK\$</i>
June 2020	870,000	1.15	1.13	995,100

Save as disclosed above, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of any listed securities of the Company during the year ended December 31, 2020.

## Review of Financial Information

The Group's audited consolidated financial statements for the year ended December 31, 2020, including the accounting principles and practices adopted, have been reviewed by the Audit Committee in conjunction with the Company's external auditor.

The figures in respect of the Group's consolidated statement of comprehensive income, the consolidated balance sheet and the related notes thereto for the year ended December 31, 2020 as set out in the preliminary announcement have been agreed by the Company's external auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

By Order of the Board  
**LAU Kwok Kuen, Peter**  
*Chairman and Chief Executive*

Hong Kong, March 11, 2021

*At the date of this announcement, the Board comprises three executive directors; namely, Dr LAU Kwok Kuen, Peter (Chairman and Chief Executive), Dr CHAN Ka Wai and Mr Mark Alan LOYND; two non-executive directors; namely, Dr CHENG Chi Kong and Mr CHAN Sai Cheong; and four independent non-executive directors; namely, Dr Barry John BUTTIFANT, Mr KWONG Ki Chi, Professor WONG Yuk (alias, HUANG Xu) and Dr Alison Elizabeth LLOYD.*

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<sup>1</sup> "Group sales" refer to consolidated sales and include retail sales from direct-operated stores and wholesales to overseas/non-consolidated franchisees.

<sup>2</sup> "Global brand sales/gross profit", comprising all Giordano retail sales/gross profit from direct-operated stores, franchised stores, and stores operated by a joint venture, are at constant exchange rates.

<sup>3</sup> "Inventory turnover on cost" is by dividing inventories held at year-end by the cost of sales and multiplied by the number of days in the year.